



April 11, 2003

Highlights of the Conference Report to Accompany H. Con. Res. 95, Concurrent Budget Resolution for FY 2004

Noteworthy

- The House of Representatives passed the Conference Report to accompany H. Con. Res. 95, the Budget Resolution, at 2:37 a.m. on April 11 by a vote of 216 - 211 (Roll Call 141).
- The Senate began debate on the conference report the morning of April 11, with debate limited to 10 hours.
- The budget resolution primarily establishes the numerical budget totals for the next fiscal year and the nine following years. Because it is a concurrent resolution, it is not presented to the President for signature.
- Total spending for fiscal year 2004 contained in the conference report is \$2.268 trillion, an amount which is \$36 billion more than the House-passed amount and \$23 billion more than the Senate-passed amount.
- The report requires the Senate Finance Committee to report an economic growth package of \$550 billion by May 8, 2003, and directs the House Ways and Means Committee to report a growth plan of an equal amount by May 30, 2003.

Highlights

Tax Relief

Conference Report (FY03-13): Reconciliation: \$550 billion; total tax relief: \$1.24 trillion.
Senate-Passed Tax Relief (03-13): Reconciliation: \$350 billion; total tax relief: \$802 billion.
House-Passed Tax Relief (03-13): Reconciliation: \$726 billion; total tax relief: \$1.32 trillion.

Reconciliation Instructions

The report requires the Senate Finance Committee to report an economic growth package of \$550 billion by May 8, 2003, and directs the House Ways and Means Committee to report a growth

plan of an equal amount by May 30, 2003. *However, the Conference report also contains a provision that limits initial Senate consideration of a reconciliation bill to no more than \$350 billion, enforceable by a 60-vote point of order.*

The conference report also requires authorizing committees in the House and Senate to submit findings to their respective Budget committees, identifying instances of waste, fraud, and abuse in programs within their jurisdiction sufficient to reduce outlays by an amount to be specified by the chairmen of the Budget committees. Such a specified amount must be inserted into the *Congressional Record* by May 19, 2003. The findings of the authorizing committees must be submitted to the Budget committees by September 2, 2003. These findings will be used by the Budget committees in the development of future budget resolutions.

Spending

Defense Spending (Function 050)

House-passed '04 Spending Level: \$400.6 billion

Senate-passed '04 Spending Level: \$400.1 billion

Conference Report '04 Spending Level: \$400.5 billion

The conference agreement assumes enactment of the FY03 supplemental appropriations bill to cover operations in Iraq. The discretionary levels in this function are consistent with the President's request in support of U.S. military forces and the military's long-term transformation goals. More than 95 percent of funding in this function is for Department of Defense military activities, including pay and benefits, procurement, testing and evaluation, and operations and maintenance, as well as atomic energy defense activities within the Department of Energy. The agreement represents an increase of \$8.3 billion in budget authority (BA) over FY03.

International Affairs (Function 150)

House-passed '04 Spending Level: \$24.8 billion

Senate-passed '04 Spending Level: \$28.7 billion

Conference Report '04 Spending Level: \$25.7 billion

The conference agreement fully accommodates the President's request for this function and includes funding for the President's Millennium Challenge Corporation initiative and the Global AIDS initiative. The conference agreement provides an increase of \$0.2 billion in BA over FY03.

General Sciences, Space, and Technology (Function 250)

Senate-Passed '04 Spending Level: \$23.6 billion

House-Passed '04 Spending Level: \$22.8 billion

Conference Report '04 Spending Level: \$23.9 billion

The agreement accommodates an increase of \$324 million above the Administration's request for NSF research and related activities. The agreement also supports a \$100 million increase over the administration's request for Department of Energy science programs, as approved by the Senate, bringing total funding for DOE Science programs to \$3.4 billion in 2004, a 4.6-percent increase over the 2003 level.

Energy (Function 270)

Senate-Passed '04 Spending Level: \$2.6 billion

House-Passed '04 Spending Level: \$2.6 billion

Conference Report '04 Spending Level: \$2.6 billion

Natural Resources and Environment (Function 300)

Senate-Passed '04 Spending Level: \$35.3 billion

House-Passed '04 Spending Level: \$29.2 billion

Conference Report Spending Level: \$31.6 billion

The conference report assumes spending \$2.6 billion on a national fire plan (the Senate-passed resolution assumed \$3.1 billion). The conference report assumes the Senate-passed level of \$4.5 billion for the Army Corps of Engineers. The conference report allows for \$8.3 billion for the Environmental Protection Agency, whereas the Senate-passed resolution assumed a 36-percent increase over FY03 to \$11.3 billion for the EPA. Within EPA, the Conference agreed to the Senate-passed levels for Superfund (\$1.4 billion for FY04, almost a 10-percent increase over FY03) and environmental programs and management (\$122 million, a 5.8-percent increase over FY03).

Agriculture (Function 350)

House-Passed '04 Spending Level: \$24.0 billion

Senate-Passed '04 Spending Level: \$24.5 billion

Conference Report '04 Spending Level: \$24.6 billion

Included in these totals is continuation of the 2002 Farm Bill. The conference agreement fully supports the President's overall request for agriculture.

Commerce and Housing Credit (Function 370)

House-Passed '04 Spending Level: \$7.4 billion

Senate-Passed '04 Spending Level: \$7.5 billion

Conference Report '04 Spending Level: \$7.5 billion

For mandatory programs, the agreement assumes a merger of the Bank Insurance Fund and the Savings Association Insurance Fund. For discretionary programs, the agreement is consistent with the Senate-passed budget.

Transportation (Function 400)

House-Passed '04 Spending Level: \$65.4 billion

Senate-Passed '04 Spending Level: \$75.8 billion

Conference Report Spending Level: \$69.5 billion

Adjustment for Federal-Aid to Highways and Transit Budget Authority: The conference agreement provides federal contract authority for Federal-aid to highways of \$35.48 billion in FY04 and \$231.08 billion for 2004-2009, representing a compromise midway between the House- and Senate-passed levels.

The conference agreement also provides transit budget authority of \$5.84 billion for FY04 and \$49.1 billion for 2004-2009, which is also a compromise midway between the House- and Senate-passed levels.

The conference agreement establishes a contingency procedure to increase spending on highways, highway safety, and transit above the level in the budget resolution should new offsetting resources be made available to the Highway Trust Fund. Importantly, **the conferees intend that the increase provided for in this conference agreement above the baseline will be constrained by the resources available in the Highway Trust Fund.**

Community and Regional Development (Function 450)

House-Passed '04 Spending Level: \$14.1 billion

Senate-Passed '04 Spending Level: \$14.3 billion

Conference Report Spending Level: \$14.1 billion

The conference agreement accommodates the expansion of grants for first responders and other activities in the new Department of Homeland Security. The conference agreement strongly supports continued funding of the Round II Urban and Rural Empowerment Zone and Enterprise Community initiatives at least at the level pledged by the Round II designation in 1999.

Education (Function 500)

Senate-Passed '04 Spending Level: \$97.6 billion

House-Passed '04 Spending Level: \$84.7 billion

Conference Report '04 Spending Level: \$90 billion

The Department of Education discretionary budget authority level for FY04 is \$56.1 billion, a \$3-billion increase over FY03 and a \$2 billion increase over the Senate Budget Committee-reported resolution. Changes from the Committee-reported resolution include another \$1 billion increase for the Individuals with Disabilities Education Act (allowing IDEA a \$2.2-billion increase over FY03; the conference assumes a \$2.5 billion increase over the FY04 level in FY05), a \$50 million increase over FY03 for Impact Aid to educate federally-connected children, and a \$1 billion increase over the Committee-reported resolution for No Child Left Behind Act programs. The Senate-passed resolution contained a reserve fund to allow an additional \$205 million in IDEA spending; the Conference incorporated the reserve fund into overall discretionary spending.

Health (Function 550)

House-Passed '04 Spending Level: \$235.1 billion

Senate-Passed '04 Spending Level: \$240.6 billion

Conference Report '04 Spending Level: \$240.6 billion

The agreement reserves \$5.6 billion in funding over 10 years to allow the Department of Homeland Security to procure, for inclusion in the Strategic National Stockpile, countermeasures necessary to protect the public health from threats of chemical, biological, radiological or nuclear agents. For Medicaid reform, the agreement establishes a reserve fund of \$3.3 billion for FY04, and \$8.9 billion over 5 years, which is budget-neutral over 10 years. Other reserve funds in the agreement include \$161 million in new BA in 2004 and \$50 billion over 10 years to increase access

to health insurance for the uninsured, and \$43 million in new BA in 2004 and \$7.5 billion over 10 years for the Family Opportunity Act. Other assumptions include a one-year extension of certain State Children's Health Insurance Program funds – specifically, for FY98 and FY99 funds that expired, and FY00 funds that are expiring. The conference report assumes Transitional Medicaid Assistance and the QI-1 programs are extended for five years, and assumes funding for abstinence education.

The agreement assumes savings of \$3.7 billion over 10 years resulting from the impact of medical liability reform on Medicaid, Federal Employees Health Benefits Program (FEHBP), and DoD, the figure reflecting an updated CBO cost estimate for the 108th Congress.

Medicare (Function 570)

House-Passed '04 Spending Level: \$266.5 billion

Senate-Passed '04 Spending Level: \$265.2 billion

Conference Report '04 Spending Level: \$266 billion

The agreement includes separate Medicare reserve funds for the House and Senate, each of which provides \$7 billion in FY04 and \$400 billion over 10 years. The \$400 billion level is equal to the amount proposed by the President in his 2004 budget. The agreement assumes savings of \$11.2 billion over 10 years in Medicare from the passage of medical liability reform legislation, an amount reflecting the updated CBO cost estimate for the 108th Congress.

Child Care (Function 600)

Senate-Passed '04 Spending Level: \$319.5 billion

House-Passed '04 Spending Level: \$315.9 billion

Conference Report '04 Spending Level: \$319.5 billion

The Conference included annual mandatory spending increases under the Child Care Development Fund totaling \$2 billion over 10 years and, for FY04, a \$214-million increase in discretionary spending for the Child Care Development Block Grant.

Social Security (Function 650)

House-Passed '04 Spending Level: \$14.2 billion

Senate-Passed '04 Spending Level: \$14.3 billion

Conference Report Spending Level: \$14.3 billion

Veterans' Benefits and Services (Function 700)

House-Passed '04 Spending Level: \$61.6 billion

Senate-Passed '04 Spending Level: \$63.8 billion

Conference Report '04 Spending Level: \$63.8 billion

The agreement assumes no revisions in mandatory programs. The conference agreement calls for discretionary BA of \$29.96 billion for FY04, an increase of \$3.4 billion, or 12.9 percent, nearly all of which is expected to be for the Department of Veterans Affairs (VA) medical programs.

Reserve Funds

- **Medicare:** \$400 billion (FY04-13)
- **Medicaid:** \$12.7 billion (FY04-10)
- **Health Insurance for the Uninsured:** \$50 billion (FY04-13)
- **BioShield:** \$5.6 billion (FY04-13)
- **Children with Special Needs:** \$7.4 billion in BA and \$7.2 billion in outlays (FY 04-13)
- **Reserve Fund:** The conference report contains a reserve fund allowing for a supplemental appropriations bill for FY03, reflecting the President's requested level of \$74.7 billion.

Debt Limit

The conference report would increase the statutory limit on the public debt by the level contemplated in the agreement – raising it from \$6.4 trillion to \$7.38 trillion.